

P.O. Box 2508
Cincinnati, Ohio 45201

OCT 12 1981

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

Information submitted with your application shows that [REDACTED] was incorporated in the State of [REDACTED] on [REDACTED]. Your Articles of Incorporation state that you are a non-profit, non-denominational charitable organization formed for the purpose of raising funds for christian and charitable endeavors, as per section 501(c)(3) of the Internal Revenue Code of 1954.

You do not have By-Laws. Your application indicates that you are not a membership organization.

Your activities consist of converting to cash articles made of gold and silver which have been donated to christian organizations. Your primary function is to act as a receiving center for valuable items donated to christian ministries and the conversion of these items to cash. You encourage christian ministries to appeal for certain items to be donated to them with the understanding that these donated items will be converted to cash through the use of your facilities. An individual may also take or mail these items directly to your organization. These items may be rings, bracelets, necklaces, earrings, awards, etc. made of gold, silver or diamonds. The donor will indicate the percentage of the value of the items that the ministry is to receive (not to be less than [REDACTED] percent) and the percentage of the value of the items to be returned to them (not to exceed [REDACTED] percent). [REDACTED] percent of the cash received from the conversion of these items will be retained by you to cover expenses.

You are in a position to start this activity immediately because you have been involved in the operation of a retail jewelry business and you will be using those facilities.

You stated that a proposed budget is difficult to estimate because you have had no experience in this type of activity. When you have obtained experience in this operation, you will begin to pay salaries.

CODE	[REDACTED]	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR NAME	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DATE	9-30-81	10-9-81					

Section 501(c)(3) of the Code provides, in part, for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes.

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

In Greater United Navajo Development Enterprises v. Commissioner, 74 T.C. 69 (1980), the Tax Court held that an organization that is primarily operating commercial activities in a manner indistinguishable from commercial enterprises is not operated exclusively for charitable purposes and cannot, therefore, qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

By acting as a receiving center for gold, silver, diamonds, etc. which you have encouraged christian ministries to solicit and converting these items to cash for a fee, you are operating a trade or business of the type ordinarily carried on for profit.

We therefore conclude that you are not organized and operated exclusively for exempt purposes within the meaning of section 501(c)(3) of the Code and section 1.501(c)(3)-1(c)(1) of the Regulations.

Accordingly, it is held that you do not qualify for recognition of exemption from Federal income tax under section 501(c)(3) of the Code, nor are contributions to you deductible under section 170 of the Code. We are also of the opinion that you do not qualify under any other section of the Code.

As your organization has not established exemption from Federal income tax, you are required to file an annual income tax return on Form 1120.

If you are in agreement with our proposed determination, please sign and return the enclosed Consent to Proposed Adverse Action (Form 6018).

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 8-78), "Exempt Organization Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your

[REDACTED]

principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides in part that,

A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this determination will become final.

Section 6104(c) of the Code requires that we notify the appropriate State officials in the event this proposed action becomes final.

Sincerely yours,

[REDACTED]
District Director

Enclosures 2

[REDACTED]